

PROCESS FOR THE SELECTION AND EVALUATION OF INVESTMENT PORTFOLIO ASSET ALLOCATION STRATEGIES

Abstract

The method for selecting and evaluating investment portfolio asset allocation strategies includes the step of constructing a record of investment performance statistics for a population of all possible asset allocation alternatives. Constructing a population of all possible asset allocation alternatives includes the step of providing performance data for a plurality of securities. The data is then used to apportion each of the securities into one of a number of market sectors. A series of periodic investment returns for each of the securities is provided. A series of the average of the periodic returns for the population of securities within each of the market sectors is generated. A minimum allocation percentage increment is determined for each of the market sectors. Each allocation alternative is determined from the unique combination of multiples of the minimum allocation percentage increments for each of the market sectors. A list of the population of all possible allocation alternatives is then compiled from the population of all com-

binations of multiples of minimum allocation percentage increment for each market sector . The series of weighted-average periodic investment returns for each of the allocation alternatives is then calculated and population-comparison statistics for an analysis-period computed. The record of performance statistics is completed by calculating populationcomparison statistics for a plurality analysis-periods. My record of performance statistics for a population of all possible allocation alternatives includes analysis-period records for 10,62 allocation alternatives across analysis periods initiated each quarter for 40 years, or 1.7 million sets of population-comparison statistics.